

**INITIAL STATEMENT OF REASONS
OVERVIEW/NON-CONTROLLING SUMMARY**

REGULATION 1619, FOREIGN CONSULS

Regulation 1619 interprets and explains the application of sales and use tax to sales of tangible personal property to foreign consuls. It explains when such sales are subject to sales and use tax and when they are not.

Specific Purpose

Regulation 1619 discusses the application of tax to sales of tangible personal property to foreign consuls. Currently, the regulation sets forth the requirements that have previously been established by the United States Department of State, Office of Foreign Missions (OFM), the federal office in charge of foreign missions, for establishing tax exemptions for foreign consuls. Recently, OFM revised its policies and procedures to require that all sales or leases of vehicles to foreign consular officers, employees, or members of their families ("Foreign Consuls") be specifically authorized for tax exempt eligibility by the OFM. To obtain authorization from the OFM, a vehicle retailer must now: 1) obtain and retain a copy of the Tax Exemption Card (Personal or Mission) or protocol identification card from the foreign consul; and 2) contact and obtain a letter directly from the OFM verifying the eligibility of a vehicle sale or lease to the foreign consul as exempt from tax. The second requirement was instituted by the OFM effective June 1, 2003. The Board adopted, effective June 1, 2003, amendments to Regulation 1619 in order to provide guidance to foreign consuls and retailers on the new requirements for establishing exempt sales or leases of vehicles and the records that retailers must maintain to support the exemption in the event of an audit.

Subdivision (a)(2)- new un-numbered paragraph added, effective June 1, 2003, to implement new OFM requirements to establish exemption for sales or leases of vehicles to foreign consular officers, employees, or members of their families. Subdivision (b)- new un-numbered paragraph added to explain requirements of section 7053 regarding records retailers must maintain to support claimed exempt sales or leases to foreign consular officials or their families or employees.

Pursuant to Government Code section 11346.5(a)(8), the Board of Equalization finds that the adoption of the proposed amendments will not have a significant adverse economic impact on private businesses or persons. The amendments are proposed to interpret, implement, and make specific the authorizing statutes in the context covered by the regulation for greater ease of understanding and to conform the regulation to recent legislation. These changes will clarify the interpretation or administration of the sales and use tax laws. Therefore, the Board has determined that these changes will not have a significant adverse economic impact on private businesses or persons.